

Honorable Frederick P. Corbit
Chapter 11
Hearing Date: April 1, 2020
Hearing Time: 2:30 p.m.

IN THE UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF WASHINGTON

In Re:

GIGA WATT, INC.,

Debtor.

In Chapter 11 Proceeding

Case No. 18-03197-FPC11

**DECLARATION OF DMITRY
BUDANOV IN SUPPORT OF (I)
APPLICATION FOR
ALLOWANCE AND PAYMENT
OF ADMINISTRATIVE
EXPENSE CLAIM AND (II)
MOTION TO COMPEL THE
TRUSTEE TO ABANDON
ALLRISE MINING POD**

Pursuant to 28 U.S.C. § 1746, the undersigned hereby declares that:

1. I am Financial Controller for Allrise Capital LLC, which is an affiliate of creditor Allrise IP Holding, Inc. (“Allrise”). I have personal knowledge of the matters set forth in this declaration and am competent to testify in this matter.

DECLARATION OF
DMITRY BUDANOV- 1

2053288.01



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1 2. I have over fourteen (14) years of accounting and finance
2 experience, beginning with a degree in Economics/Business Administration
3 from the University of West Florida.
4

5 3. In 2014, I began studying the Bitcoin market, learning about the
6 Bitcoin trading process, and researching how Bitcoin is “mined.” Based on my
7 research and experience, I am familiar with the Bitcoin mining process as well
8 as the different pieces of equipment that pertain to that process. Moreover, as
9 part of my job duties at Allrise, I have been tasked with taking inventory of
10 Allrise’s Bitcoin miners and “pods” associated with Debtor Giga Watt, Inc.
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13 4. Allrise does not maintain an office, bank accounts, or employees in
14 Washington.
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16 **A. December 2019 Moses Lake Facility visit.**

17 5. To that end, on December 11, 2019, I visited Debtor Giga Watt,
18 Inc.’s Moses Lake Facility for the purpose of inventorying and retrieving certain
19 equipment belonging to Allrise, including Bitcoin miners. In order to determine
20 whether certain miners belonged to Allrise, I utilized an original list of miner
21 serial numbers compiled by Debtor Giga Watt. The serial numbers reside next to
22 a barcode at the rear of the miners and can be scanned electronically using a
23 handheld barcode scanner.
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1 6. When I arrived at the Moses Lake Facility, I observed four sheds
2 surrounded by a chain link fence. I did not observe any cameras at the facility.
3
4 The door to each of the sheds could be accessed using a traditional door key.

5 7. I also observed Bitcoin miners laying around outside the sheds.
6 Employees of Giga Watt also explained to me that certain miners at a different
7 facility had been destroyed, sold, or donated.
8

9 **B. The Missing Miners are discovered.**

10 8. While I was at the Moses Lake Facility, I worked with two different
11 third-party vendors to develop a preliminary list of miners that we removed from
12 the Moses Lake Facility. Once the miners were delivered to their new location, I
13 received a final report from the vendors describing the count of miners that we
14 collected from Moses Lake.
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17 9. When I compared the final report to my original list of serial
18 numbers, I learned that eleven (11) Antminer S9 Miners, one hundred and
19 eighty-one (181) PandaMiners Plus, and one hundred and eighty-one (181)
20 power supply units (the “Missing Miners”) were missing.
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1 10. As part of its Bitcoin mining operations, Allrise monitors how
2 much Bitcoin is mined into BTC and ETH wallets for purposes of evaluating
3 whether its miners are mining at the proper capacity. If several miners were
4 turned off, then the wallet data would reflect a decline in productivity. Based on
5 my review of BTC and ETH Bitcoin wallets associated with these miners, the
6 wallet data shows that Bitcoin mining levels were consistent until around mid-
7 January 2019, when there was a reduction in miner productivity. Until mid-
8 January 2019, I believe that Allrise's Bitcoin wallet data indicates that the
9 Missing Miners were functioning and mining at the appropriate productivity
10 level. Thus, I had no reason to doubt that the Missing Miners were operating as
11 intended.
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16 **C. Further search for Missing Miners.**

17 11. Each miner has a special Giga Watt barcode on the back, which can
18 be scanned and compared to Allrise's miner list using a handheld scanner. The
19 miners would not need to be unplugged and the risk of hand injury is minimal
20 due to the use of a handheld scanner.
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22 12. If the Court allows Allrise to search for the Missing Miners at the
23 Moses Lake Facility in the future, then I estimate that the search would take
24 approximately two full days. It is my understanding that there are four Pods at
25 the Moses Lake Facility that each contain about 1,000 miners. Based on my
26

1 experience with checking miner barcode information, it takes approximately half
2 a day to scan the barcodes for 1,000 miners. Thus, the search should not exceed
3 two full days.
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5 **D. The Pod.**

6 13. A Pod is a shed where approximately 1,000 miners can be stored,
7 provided electricity, and cooled. A Pod also provides ventilation for the miners,
8 which generate significant heat as part of their mining operations. Other than the
9 cement pad on which the Pod sits, the Pod can be disassembled and moved to
10 another location.
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13 14. I estimate that the reasonable rental rate for the Pod at issue in
14 Allrise's motion to compel abandonment is \$10,000 per month. My estimate is
15 based on the amount that Allrise paid for the Pod (\$1,200,000) amortized over
16 the useful life of the Pod, which is approximately ten years. Amortization is a
17 generally accepted accounting principle utilized to determine reasonable rental
18 rates for equipment, including Bitcoin Pods.
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21 15. Beginning in January 2019, and continuing to date, the Chapter 11
22 Trustee, Mark D. Waldron, has prohibited Allrise from removing the Pod at
23 issue from the Moses Lake Facility. Based on the monthly rental rate described
24 above, multiplied by 15 months, I estimate that a reasonable amount of rent for
25 the Pod is \$150,000.
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1 I declare under penalty of perjury under the laws of the United States that
2 the foregoing is true and correct.
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4 DATED this 27th day of March, 2020, at Irvine, California.
5

6 /s/ Dmitry Budanov

7 Dmitry Budanov
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1 **CERTIFICATE OF SERVICE**

2 I, Patricia Herzog, declare that I am employed by the law firm of Ryan,
3 Swanson & Cleveland, PLLC, that I am over 18 years of age, and not a party to
4 this action.

5 On March 27, 2020, I electronically filed the foregoing document with the
6 Clerk of Court using the CM/ECF system, which will send notification of such
7 filing to all interested parties.

8 I declare under penalty of perjury under the laws of the United States that
9 the foregoing is true and correct.

10 DATED this day 27th day of March, 2020.

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12 /s/ Patricia Herzog
13 Patricia Herzog
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